

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
SP-02 SOE-02 OMB-01 DOE-15 NSCE-00 SSO-00 USIE-00
INRE-00 STRE-00 /150 W

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TO SECSTATE WASHDC IMMEDIATE 7486

ALL WHEAT NEGOTIATIONS POSTS

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USOECD USMTN USEEC

PASS ELECTRONICALLY AGRICULTURE NOVOTNY AND STR FOR
STARKEY

E.O. 11652: N/A

TAGS: ETRD EAGR OCON

SUBJECT: WHEAT CONFERENCE: CHAIRMAN'S ATTEMPT TO WRAP
UP

1. AT MEETINGS WITH HEADS OF SELECTED DELEGATIONS ON
MARCH 17 AND 18 CONFERENCE CHAIRMAN DUNKEL PROPOSED
THAT CONCLUSION OF CONFERENCE TAKE THE FORM OF A CONSEN-
SUS PAPER BY THE CHAIRMAN INDICATING AREAS OF AGREEMENT
ON BASIC ISSUES AND HIGHLIGHTING ISSUES ON WHICH THERE
WAS STILL DISAGREEMENT AND WHERE THERE SHOULD BE CONTINU-
ING WORK TO NARROW DIFFERENCES. ON WHEAT DUNKEL'S
CONSENSUS SUMMARY WOULD INDICATE: (1) AGREEMENT ON
BASIC OBJECTIVES, (2) AGREEMENT ON OVERALL FRAMEWORK
FOR IMPLEMENTATION OF OBJECTIVES, (3) AREAS OF AGREEMENT
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AND UNRESOLVED ISSUES (OVERALL SIZE AND INDIVIDUAL
SHARES IN PARTICULAR) ON RESERVE PROVISIONS, (4) STATE
OF DISCUSSIONS ON MEASURES IN EXTREME PRICE SITUATIONS,
AND (5) SUGGESTION FOR ONGOING WORK IN RELATION TO
ASSISTANCE TO LDC'S FDR RESERVE STOCKS.

2. ON EVENING MARCH 20 DUNKEL MET WITH HEADS OF U.S.,

CANADIAN, EC AND JAPANESE DELEGATIONS AND PROPOSED THAT, FOLLOWING PRESENTATION OF CHAIRMAN'S REPORT ON MARCH 23, HE MIGHT PROPOSE TWO DECISIONS:

(1) THE CONFERENCE WOULD DECIDE TO ESTABLISH AN INTERIM COMMITTEE TO PREPARE A DRAFT TEXT OF A NEW AGREEMENT. THIS COMMITTEE WOULD CONTINUE THE WORK OF THE CONFERENCE COMMITTEES ON WHEAT, COARSE GRAINS AND FOOD AID.

(2) THE CONFERENCE WOULD DECIDE TO RECONVENE LATER IN THE YEAR, POSSIBLY SEPTEMBER, SUBJECT TO CONFIRMATION BY THE INTERIM COMMITTEE BEFORE MID-JULY.

3. DUNKEL THEN PRESENTED A DRAFT OF HIS CHAIRMAN'S PAPER ON WHEAT BASED ON DISCUSSIONS AT FRIDAY AND SATURDAY MEETINGS. MAIN ELEMENTS OF THIS DRAFT WERE SECTIONS ATTEMPTING TO RECONCILE EXPORTER-EC DIFFERENCES ON MAX/MIN PRICE OBLIGATIONS IN EXTREMES. KEY PARAS ON PRICE ISSUE OF HIS PROPOSED CONSENSUS STATEMENT WERE THE FOLLOWING:

BEGIN QUOTE: IMPLEMENTATION OF THE OBJECTIVES

THE IMPLEMENTATION OF THE OBJECTIVES, IN PARTICULAR OF THE BASIC OBJECTIVE TO CONTRIBUTE TO A GREATER STABILITY OF THE WORLD MARKET AND IMPROVE WORLD FOOD SECURITY BY MAINTAINING PRICE MOVEMENTS WITHIN A RANGE WITH UPPER LIMITED OFFICIAL USE

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AND LOWER EXTREMES, SHALL BE SOUGHT BY THE ESTABLISHMENT OF AN INTERNATIONAL STOCK POLICY RESULTING FROM THE COORDINATED MANAGEMENT OF NATIONAL RESERVE STOCKS OF AN ADEQUATE LEVEL, AND BY MEASURES TAKEN BY MEMBER COUNTRIES WITHIN THE FRAMEWORK OF THEIR NATIONAL POLICIES TO MAINTAIN PRICE MOVEMENTS WITHIN THE LOWER AND UPPER EXTREMES OF A PRICE RANGE.

MEASURES IN EXTREME PRICE SITUATIONS

THE PRICE RANGE SHOULD BE SUFFICIENTLY BROAD SO AS TO ALLOW THE EFFECTIVE OPERATION OF THE CONVENTION. THE LOWER EXTREME SHOULD BE SET AT AN APPROPRIATE LEVEL TO PROVIDE PRODUCERS WITH RETURNS THAT WOULD ENSURE ADEQUATE PRODUCTION. THE UPPER EXTREMES SHOULD BE SET AT AN APPROPRIATE LEVEL TO PROTECT CONSUMERS FROM EXCESSIVE PRICES AND ENSURE AVAILABILITY OF SUPPLIES. END QUOTE.

4. U.S. REP REACTED THAT ABOVE LANGUAGE PREJUDICED U.S. POSITION ON QUESTION OF PRICE OBLIGATIONS AND COULD NOT BE ACCEPTED AS REPRESENTING ANY AGREED CONSENSUS. THE FOLLOWING IS ALTERNATIVE LANGUAGE PROPOSED BY U.S. TO WHICH BOTH EC AND JAPAN REACTED NEGATIVELY:

BEGIN QUOTE: IMPLEMENTATION OF THE OBJECTIVES

THE IMPLEMENTATION OF THE OBJECTIVES SHALL BE SOUGHT BY
THE ESTABLISHMENT OF AN INTERNATIONAL STOCK POLICY
RESULTING FROM THE COORDINATED MANAGEMENT OF NATIONAL
RESERVE STOCKS OF AN ADEQUATE LEVEL, AND BY MEASURES
TAKEN BY MEMBER COUNTRIES IN ACCORDANCE WITH OBLIGATIONS
UNDER THE CONVENTION TO MODERATE PRICE FLUCTUATIONS IN
EXTREME HIGH AND LOW MARKET SITUATIONS.

MEASURES IN EXTREME MARKET SITUATIONS

IF PRICES MOVE BEYOND THE RESERVE ACTION POINTS OF THE
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INDICATOR PRICE SCALE, MEMBERS SHALL TAKE OTHER MEASURES
TO MODERATE EXTREME PRICE MOVEMENTS. THE PRICE INDICATOR
RANGE SHOULD BE SET AT APPROPRIATE LEVELS TO PROVIDE
PRODUCERS WITH ADEQUATE RETURNS, TO PROTECT CONSUMERS
FROM EXCESSIVE PRICES, AND TO ENSURE SUFFICIENT PRODUC-

TION. END QUOTE.

5. MEETING ENDED WITH DUNKEL'S PAPER CONTAINING LARGE SECTIONS OF DISAGREED LANGUAGE REFLECTING EXPORTER AND EC-JAPAN POSITIONS. DUNKEL WITH SOME DISMAY CONCLUDED THAT DIVERGENCES ON BASIC ISSUES WERE GREATER THAN HE HAD THOUGHT AND HE CALLED UPON THE FOUR DELEGATIONS, PARTICULARLY U.S. AND EC, TO ATTEMPT TO ARRIVE AT SOME ACCEPTABLE FORMULATION SO THAT CONFERENCE CAN END ON A POSITIVE BASIS AND JUSTIFY DECISION TO CONTINUE ITS WORK. VANDEN HEUVEL

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